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SUBJECT: EAST CHINA DISPATCHES, MAY 14, 2007

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¶1. (SBU) Summary: In this Dispatch, we learn that Shanghai loves luxury cars, anti-Japanese sentiment still simmers, Internet rumors spread quickly in Shanghai, even migrants dream of making it big on the stock market, information on IPR continues to be welcomed, and some Shanghai youth are passionate about punk music. This is the first in a series of periodic short-subject cables designed to offer more anecdotal reflections on life in East China.

Cars, Cars, Cars

¶2. (U) For the week of April 22-28, Shanghai was taken over by the 12th Annual Shanghai Auto Show. According to CCTV (Chinese national television), the show had record attendance of around 500,000 visitors from over 100 countries and regions. Most attendees appeared to be local Chinese, including many couples and families. All the major and not so-major automakers participated in the exhibition including GM, Toyota, BMW, and Iran's Khodra. Chinese brands Chery, Roewe and Great Wall also had prominent exhibitions.

¶3. (U) Generally, all car companies, even brands that might be considered more budget-oriented in the United States, portrayed their cars as passports to a luxury lifestyle. Information desk attendants at one exhibition wore equestrian clothing, while the Caucasian models in cocktail dresses and smoking jackets draped themselves on the cars. Most displays did not make serious mention of fuel economy or safety measures. While there were hybrid gas/electric cars on display, sales people noted that these cars were not for sale in China. Most attendees flocked around the cutting edge concept cars and luxury brands. There was wide coverage of the auto show in both western and Chinese media, with many articles emphasizing the emergence of Chinese

brands. However, based on our trip to the show, foreign brands still drew the biggest crowds.

"I Wouldn't Have Fixed Your Tire if You Were Japanese"

¶4. (U) While overt acts of hostility towards Japanese in East China remained rare over the past year, passive aggression, according to some Japanese contacts still simmered. During a recent intellectual property rights (IPR) conference hosted by a security agency for Japanese companies, many Japanese companies complained of police, courts, and administrative intellectual property bureaus, especially in rural areas, refusing to take action to protect their IPR because they were "Japanese companies." The Japanese business representatives noted several instances of the same authorities taking action to protect intellectual property from U.S., European, and other Korean companies while neglecting that of Japanese firms. Japanese companies noted similar occasional frustrations with obtaining other government services and finding Chinese business partners.

¶5. (U) A recent encounter between a Consulate Econoff and a bicycle repairman highlighted this latent passive aggression towards Japanese. One evening as the Econoff road his bicycle home from work, he had a flat tire. Within a short time, a repairman passing by on his scooter stopped to help fix the tire. After inquiring what country the Econoff came from, the repairman quickly replied, "I am glad you are American. I wouldn't have fixed your tire if you were Japanese." The repairman went on to explain that his family hailed from Nanjing and had survived the Nanjing massacre. He also explained that he, like many of his acquaintances, might not want to directly harm Japanese but definitely had no interest in helping or befriending them.

SHANGHAI 00000283 002 OF 004

Facts Don't Impede Traffic on Shanghai's Information Superhighway

¶6. (SBU) One of the many challenges facing the Consulate is navigating China's increasingly hi-tech, Internet-driven media environment. With its potent combination of the highest number of Internet users of any city in China (28.7 percent of citizens are Internet users as compared to 10.5 percent nationwide, according to a recent report from the government-owned China Internet Network Information Center), and increasing competition among media organizations for advertising revenue and customers, Shanghai media easily fall victim to inaccurate reporting and rumors swept along by the lightning speed of the Internet. The most poignant recent example of this phenomenon was how the Shanghai press picked up and spread rumors surrounding the identity of the Virginia Tech gunman.

¶7. (SBU) Following the tragic events in Virginia on April 16, rumors about the identity of the gunman took on a life of their own in Shanghai. After the initial erroneous reports in various U.S. media (Chicago Sun Times followed by Fox News) that the assailant was a Chinese male who had been issued a student visa in Shanghai, Consulate phones started to ring. Local media outlets and citizens were quickly convinced that this information was accurate, perhaps fueled by a commonly held belief that the USG controls American media organizations much the way the Chinese government does, so anything reported must be authoritative. By the end of April 17 in Shanghai, the speculation had taken a turn for the sinister - because the gunman was presumed to have been from Shanghai, local citizens and journalists were convinced that this would lead to a total breakdown in U.S.-China relations and the USG would stop issuing visas, particularly to Chinese males. Consulate sought to counter these rumors by issuing a statement late on April 17 that "The U.S. continues to welcome legitimate student travelers. The American Embassy and Consulates in China continue to issue visas in accordance with U.S. law. There have been no changes to our visa procedures." While in the end, no local media chose to carry this statement, it helped put the

visa rumors to rest.

¶18. (SBU) Comment. China's media environment remains tightly controlled and largely closed. Average citizens are not accustomed to distinguishing between government information and press reports and are far less likely to question the veracity and motivation of a media report than their American counterparts might be. This recent rumor incident underlines the growing power of the Internet to spread news to ever wider audiences in China, but also its weakness as a tool to discern fact from rumor. End comment.

Newly Arrived Migrant Worker Buys Stocks

¶19. (U) While admitting that she did not understand how the stock markets work, a newly arrived in Shanghai migrant worker told Econoff that she had invested RMB 250 (USD 32) in Shanghai's stock market. The Shanghai Stock Exchange, which has risen 50 percent to new highs since the start of the year continues to attract new investors. The market grew 130 percent in 2006. The migrant, who was working as a hairdressing assistant, said that she had purchased shares priced at RMB 2 (USD 0.25), in a company that she believed to be involved with hydro-electric power generation. She was persuaded to buy on the recommendation of her coworkers who routinely boasted about their own stock market gains. The migrant worker, originally from Pu-Er, Yunnan Province, arrived in Shanghai just over a month ago. She came to Shanghai by herself with no contacts here in the city. It took her five days to get here via bus and train and she found a job on her second day. Her monthly salary was about RMB 900 (USD 120). She hoped to make enough money here in Shanghai over the next two years to be able to return

SHANGHAI 00000283 003 OF 004

home and start a family.

Spotlight on Pirated Patents, Counterfeit Copyrights and Tainted Trademarks

¶10. (U) As part of Post's ongoing outreach on IPR, Consulate invited Professor Michael Ryan, Director of the Creative and Innovative Economy Center at George Washington University Law School, to visit East China as a U.S. Speaker. Dr. Ryan has lectured and conducted research on intellectual property, technology, and trade issues in over 20 countries, and is an expert on IP issues related to the entertainment, pharmaceutical, and biotech industries in developing countries. April 13 and 16, Dr. Ryan gave presentations at the Jiangsu Province Economy Regulation Office, Nanjing University of Science & Technology, the Shanghai Intellectual Property Rights (IPR) Bureau, and East China University of Politics and Law's IPR School.

¶11. (U) At the first three venues, Dr. Ryan spoke to more than 150 local government officials and students on "The Role of Intellectual Property in the Innovation Cycle" and at the latter venue, about 100 students heard him address "Innovation, Copyrights, and Patents in the Software Sector." During the Q&A sessions, most of the questions he fielded related to the copyright and market access cases initiated by the USG against China on April 9 at the WTO, but the audiences also showed great interest in the U.S. phenomenon of academia-industry clusters and their connection to economic growth in urban areas around the U.S. IPR officials and students appreciated Dr. Ryan's comments because he provided a more informed and balanced view of the rationale for China enforcing its IPR laws.

Shanghai Rocks Out To Sonic Youth

¶12. (U) In the past year Shanghai has hosted an increasing number of concerts by foreign performers, including the Rolling Stones, James Brown and the Black Eyed Peas. The audiences at all of the concerts have been remarkably consistent, mostly

foreigners (of all ages) with few Chinese. As a result, most foreigners expected a similar audience at an April 24 show by New York-based punk band Sonic Youth. Unbeknownst to most (Econoff included) Sonic Youth has a large, devoted following in China.

¶13. (U) The concert was held at the Shanghai Concert Hall, a historic building in the center of People's Park that primarily hosts classical music concerts. Before the show started the mostly twenty-something clean-cut Chinese audience was seated politely, many still in work attire, most with backpacks, a far cry from the typical Sonic Youth crowd in the United States. There was no alcohol or soda sold, only water. As soon as the lights dimmed, however, pandemonium erupted.

¶14. (U) The Chinese security seemed unsure how to react; for the first hour every time they tried to control the audience, the band would castigate them. Five minutes into the show the audience rushed the stage but the security stopped the surging crowd and aggressively pushed the audience back to their seats at which point the band stopped singing and asked the security to let the crowd approach the stage. Security held firm until a particularly popular song whipped the crowd into such a frenzy that it overwhelmed the security guards and the audience took over the stage pit. As the concert went on, security eased up more and more so that by the end they were allowing stage diving.

¶15. (U) According to Lilo Wang, a 24-year old accountant, who spent most of the show in the heart of the mosh pit, Sonic Youth had been popular in China for a long time and within the rock crowd was extremely popular. She said that Shanghai's rock

SHANGHAI 00000283 004 OF 004

scene was weak because all everyone cared about was making money and they were not passionate about life. She said the cost of the tickets (RMB 480 or USD 62) was worth it and that she hoped more bands like Sonic Youth would come to China and that rock, especially punk, would grow in popularity in Shanghai.

¶16. (U) Regards from Shanghai.
JARRETT